

CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 03/25/03
AGENDA ITEM _____
WORK SESSION ITEM WS3

TO: Mayor and City Council
FROM: Director of Community and Economic Development
SUBJECT: Revisions to the Park In-Lieu Fees

RECOMMENDATION:

It is recommended that the City Council review and comment on this report.

DISCUSSION:

Hayward requires the dedication of parkland or payment of an in-lieu fee under provisions of the California Government Code, commonly referred to as the Quimby Act. The Act establishes procedures for cities and counties to require the dedication of parkland or payment of fees in lieu of parkland from residential development. The Quimby Act establishes a range of 3 to 5 acres of parkland per 1,000 residents. Hayward requires the maximum of 5 acres per 1000 residents. An Ordinance was adopted by the City in 1974 pursuant to the Quimby Act and the provisions of the Hayward City Charter. Funds are generally allocated to the Hayward Area Recreation and Park District (HARD) for park development projects.

The City imposes the requirement because it ensures the provision of parkland to meet the additional demand created by new residential development. The requirement also ensures that the parkland that serves the existing residents will not become overburdened by the demand created by new residents. Finally, the requirement ensures that future residential development bears its fair share of responsibility for the park system.

When the fees were last increased in 1991, the proposed fees were found to be similar to the average of other surrounding cities. A recent survey reveals that the park in-lieu fees charged by neighboring cities increased by an average of 3.07 times from their 1990-91 fees, although some increased by as much as 5.65 times (see Exhibit A.) The current park in-lieu fees, including facilities fees, for surrounding cities in 2003 ranges between \$4,513 and \$20,748 for a single-family dwelling, and between \$4,015 and \$11,309 for a multi-family unit. The current Hayward fees are \$3,000 for single-family and \$2,300 for multi-family units. Unlike some other cities, Hayward has not imposed a facilities fee to allow for funding of community centers and other significant improvements in parks. Nor has the Hayward fee included an allowance for the cost of park development, which is allowed under the Quimby Act. Clearly, Hayward fees are

significantly below those of surrounding cities and have not kept pace with the needs of the growing community.

Criteria for Determining In-Lieu Fees and Land Dedication

Pursuant to the General Plan and the Quimby Act, the following variables are considered in arriving at a recommendation for park in-lieu fees:

- **Parkland Acquisition Cost**

The City's park dedication in-lieu fee should reasonably correlate to the cost of acquiring the parkland that is needed to serve a new residential development. The fair market price for developable, residentially zoned land in Hayward has been estimated to range from \$563,230 to \$871,000 per acre depending on zoning, location and specific site constraints. The Draft Housing Element indicates that the cost of vacant land zoned for low-density housing averages \$80,000 per 5,000-square-foot lot, or approximately \$697,000 per acre. Land zoned for medium- or high-density housing is significantly more expensive. Another consideration in determining fair market prices for parkland could be the price paid by HARD for recently acquired parklands. However, HARD advises that they have not negotiated the purchase of any parkland in the last three years.

- **Amount of Parkland per 1000 Residents**

When the original ordinance was enacted in Hayward, it was based on a community park standard of 5 acres of parkland per 1,000 residents, which is the maximum permitted by the State Quimby Act. The recently adopted General Plan requires that new development maintain the maximum allowable park land per person at 5 acres per 1,000 residents.

- **Number of Persons per Household**

The Land Dedication Schedule converts this park standard to an acreage-per-dwelling-unit requirement based on the assumed occupancy level for various types of residential uses. When the Park In-Lieu fees were last considered in 1991, the household size was assumed to be 2.6 persons per single-family dwelling and 2.0 persons per multi-family dwelling based on the previous census. The 2000 Census reveals that the average number of persons per household in Hayward has increased to 3.08 overall and the average family size has increased to 3.58. This would indicate that the demand for parks per household has increased. Based on the 2000 Census, staff recommends using 3.43 persons per single-family detached unit, 3.27 per single-family attached unit (typically a townhouse), and 2.77 per multi-family unit.

Therefore, applying the formula yields the following:

	Acres per Person	Persons per Unit	Land Value	Park in-Lieu Fee
Single Family Detached.	0.005	3.43	\$696,960	\$11,953
Single Family Attached	0.005	3.27	\$696,960	\$11,395
Multi-Family	0.005	2.77	\$696,960	\$ 9,653

Applying the above formula yields a park in-lieu fee of \$11,953 per dwelling, \$11,395 for each single-family attached unit, and \$9,653 for each multi-family unit to cover the minimum cost of parkland acquisition. These fees are comparable to the fees charged by Union City and Fremont, which are experiencing development similar to Hayward. These computations demonstrate that the present in-lieu fee of \$3,000 per single-family dwelling unit covers less than one-third of the cost of acquiring the required parkland in an area and that the \$2,300 paid for multi-family units covers less than one-fourth of the required parkland. It should be pointed out that these fees are intended to cover the costs of land acquisition only and are not intended to also cover the costs of park improvements.

Because these proposed fees represent a significant increase in the park in-lieu fees, consideration should be given to phasing this fee increase in. The second line on the chart for Hayward on Exhibit A shows the fee being increased gradually over a period of three years. To ensure that the fees did not fall significantly behind during this period or in the future, an annual adjustment based on averaged land value in Hayward should also be instituted. The fees would increase or decrease based on Land Value.

Fee Exemptions

The current Ordinance exempts several types of housing, including:

- Housing for the elderly or disabled, owned by or leased to a public agency;
- Rental housing for households at 60% or less of median income, owned by a private non-profit corporation with rent restrictions for a period of at least 30 years;
- Ownership housing developed by a public agency or non-profit developer affordable to first-time homebuyers with incomes at or below 95% of the area median; and
- Condominium conversions of existing apartments more than five years old

The existing Ordinance also provides that residential development within the Downtown Hayward Redevelopment Project area is to be assessed at a rate equal to 50 percent of the amount normally imposed by the ordinance. Additionally, it provides for the City Council to fully exempt residential development within the Redevelopment area when the project receives City or Redevelopment Agency assistance. While it may be prudent to provide opportunities for exemptions when residential projects receive City or Redevelopment Agency assistance, many of the residential projects in the Redevelopment area are market-rate housing developments which do

not need City financial support to be financially viable. Also, since the Ordinance was last revised, the Redevelopment area has tripled in size.

City staff believes that all new residential development places a burden on the park system and should contribute to some degree to meeting the demand for parkland and facilities. Therefore, staff is recommending that there be no exemption for housing in the Redevelopment area that does not require City assistance.

Facilities Fees

In addition to parkland acquisition fees, the City of Fremont charges a supplemental \$7,000 facilities fee to pay for the cost of development of the recreational land. Several other cities now also charge a facilities fee. This fee is allowed under the Quimby Act and should be considered as a supplement to the Park in-lieu fees to ensure that any parkland acquired can also be developed for recreation. HARD estimates that the cost of installing turf and irrigation on parkland is approximately \$100,000 per acre. This figure does not include any play equipment, recreational facilities or community centers. Staff would suggest that HARD undertake a study to determine the need for a facilities fee to provide adequate parkland recreational amenities.

Annual Cost Update

To make sure that the Park in-lieu fees remain current, it is recommended that the fee be automatically updated annually based on the average cost of undeveloped land in the City of Hayward and the average number of persons per household as reflected in the latest census data. Land values can be determined by examining land sales in Hayward over the previous three to six months. By keeping the fee current based on the cost of land and population data, the fee will be correctly assessed and the City will be able to avoid excessive fee adjustments.

Public Review

In October 2002 the HARD Board passed a resolution recommending that the City increase the fees for single-family dwellings from \$3,000 to \$11,392 and for multi-family projects from \$2,300 to \$9,648 per unit based on their assessment of land values in Hayward and the increased costs associated with park development in Hayward.

The HARD resolution was brought before the Local Agencies Committee on February 6, 2003. At that meeting the Committee agreed to support the increase in Park Dedication In-Lieu Fees as outlined in the chart above phased in over a period of three years to allow a more gradual transition. The Committee also recommended that these costs be updated yearly based on average land values for the City of Hayward. In addition, the Committee requested that HARD undertake an analysis of facilities needs to determine if there is a need for a future facilities fee separate from the Park In-lieu Fee. HARD and City staff are supportive of the Local Agencies Committee's recommendations.

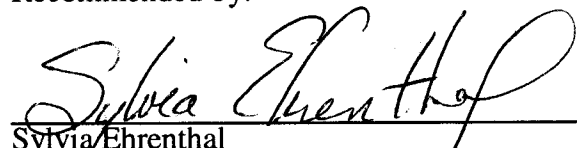
Conclusion

If supported by the City Council, the new fee schedule will become effective 30-days after adoption. The new Ordinance cannot be validly attached to the approval of a tentative or parcel map until it is in effect for 30-days before the filing of the tentative or parcel map. For single-family dwellings that are not a part of a new subdivision, building permits filed prior to the effective date of the Ordinance will be subject to only the current fee schedule. Permits filed after that date will be subject to the new fee schedule.


Prepared by:


Lorna Carranza, ASLA, Landscape Architect

Recommended by:


Sylvia Ehrenthal
Director of Community and Economic Development

Approved by:


Jesús Armas, City Manager

Attachments: Exhibit A. Park Dedication In-Lieu Fees for Cities in East Bay

3/20/03

EXHIBIT A

PARK DEDICATION IN -LIEU FEES FOR CITIES IN EAST BAY

		2003	Facility Fee	Proposed 2003	Proposed 2004	Proposed 2005
Hayward	Single Family Detached	3,000		11,953		
<i>Pro-rated over 3 years</i>				6,000	9,000	12,000
	Single Family Attached	N/A		11,395		
<i>Pro-rated over 3 years</i>				5,800	8,600	11,400
	Multi-Family	2,300		9,653		
<i>Pro-rated over 3 years</i>				4,750	7,200	9,650
Fremont	Single Family	13,529+	7,219			
	Multi-Family	8,843+	2,466			
Newark	Single Family	2,998+	1,515			
	Multi-Family	2,278+	1,737			
San Leandro	Single Family	2,852+	1,407			
	Multi-Family	2,277+	1,123			
Union City	Single Family	11,000				
	Multi-Family	5,500				

Other Area Fees

Alameda County (In Revision)	Single Family	2,825	
	Multi-Family	2,400	
Dublin	Single Family	7,744	4,042
	Multi-Family	4,840	2,526
Livermore	Per Unit	5,916	included
Pleasanton	Single Family	4,911	3,203
	Multi-Family	3,524	2,020